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TO RUEHC/SECSTATE WASHDC PRIORITY 1661
INFO RUEHZA/WHA CENTRAL AMERICAN COLLECTIVE
RUCPDOC/DEPT OF COMMERCE WASHINGTON DC
RUEHLMC/MILLENNIUM CHALLENGE CORP WASHDC

UNCLAS MANAGUA 002456

SIPDIS

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STATE PASS OPIC FOR ZHEN HAN
USDOC FOR 4332/ITA/MAC/WH/MSIEGELMAN
3134/ITA/USFCS/OIO/WH/MKESHISHIAN/BARTHUR

E.O. 12958: N/A

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SUBJECT: NICARAGUA: COMMENTS ON PROPOSED THIRD OPIC FINANCING FOR BANCENTRO S.A.

REF: A. STATE 150812; B. MANAGUA 2185

¶1. (U) Summary: Ref A seeks post's comments on housing in Nicaragua, Bancentro, and Bancentro owner Roberto Zamora in regard to a proposed OPIC direct loan of \$7 million to Bancentro to finance housing mortgages for Nicaraguans affected by Hurricane Felix. Many Nicaraguans, especially among the 50% who live in poverty, lack adequate housing. Fitch Ratings grades Bancentro's long-term risk at A, but the bank faces possible financial repercussions related to acquisition of nonperforming assets in a 2001 liquidation of failing banks. Post has no derogatory information on Roberto Zamora or his family members. End Summary.

¶2. (U) Ref A seeks post's comments on housing in Nicaragua, Bancentro, and owner Roberto Zamora in regard to a proposed OPIC direct loan of \$7 million to Bancentro to finance housing.

¶3. (U) Many Nicaraguans, especially among the 50% who live in poverty, lack adequate housing. According to Nicaragua's 2005 housing census, there is a deficit of more than 600,000 units; this deficit is growing by 28,000 units per year. Approximately 70% of this deficit is housing for low-income Nicaraguans who seek less expensive houses. Most of these low-income buyers would require long-term, low-interest mortgages to purchase housing. Exacerbating the housing deficit, in September Hurricane Felix destroyed 10,145 houses and damaged another 9,057, primarily in the impoverished Northern Atlantic Autonomous Region (RAAN), the region targeted by this proposed OPIC financing. On these development grounds, we strongly support this proposed OPIC loan.

¶4. (SBU) Bancentro, founded in 1991, is one of seven privately owned banks operating in Nicaragua. The Superintendency of Banks reports that Bancentro is in good standing. In October 2007, Fitch Ratings reaffirmed Bancentro's long-term risk as A and short-term risk as F1. Fitch also graded Bancentro's outlook as "stable." According to Fitch, these ratings reflect Bancentro's "solid position in the market, improvements in the quality of [its] loan portfolio . . . an extensive depositor base . . . and a varied income base."

¶5. (SBU) In 2001, Bancentro was one of several banks that participated in the liquidation of four failing banks. The Central Bank gave Bancentro \$40.8 million in Negotiable Indemnification Certificates (CENIS) to compensate Bancentro for nonperforming assets assumed from Banco Mercantil. At the time of the transaction, Eduardo Montealegre, currently leader of the opposition National Liberal Alliance (ALN) party, was Bancentro's general manager and a shareholder. When Montealegre became finance minister in 2003, he resigned and sold his shares. The Office of the Controller General -- run by loyalists of convicted felon and former president Arnoldo Aleman -- has since accused Montealegre of benefiting from the deal. [Comment: We view this as an attempt to

slander Montealegre for political purposes. End Comment.] Some economists and politicians have called for a moratorium on Central Bank CENI payments to redirect budget resources toward Hurricane Felix recovery efforts. However, Central Bank President Antenor Rosales has categorically stated that the Central Bank will continue to make payments. Ref B provides additional information on this issue.

¶6. (SBU) Post has no derogatory information on Roberto Zamora or his family members. In the eyes of the public, his bank is identified with the ALN. However, Mr. Zamora maintains relations with many Nicaraguan political leaders, including President Ortega of the FSLN.

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